

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301  
Indianapolis, IN 46204  
(317) 233-0696  
<http://www.in.gov/legislative>

**FISCAL IMPACT STATEMENT**

**LS 6953**

**BILL NUMBER:** HB 1168

**NOTE PREPARED:** Jan 8, 2013

**BILL AMENDED:**

**SUBJECT:** Venture Capital Income Tax Credit.

**FIRST AUTHOR:** Rep. Torr

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** X **GENERAL**  
**DEDICATED**  
**FEDERAL**

**IMPACT:** State

**Summary of Legislation:** This bill provides that if the Indiana Economic Development Corporation (IEDC) makes certain findings with respect to a business, the IEDC may certify that business as a qualified Indiana business for purposes of the Venture Capital Investment Credit (VCI). It makes investments in a business involving professional services provided by a physician eligible for the credit.

**Effective Date:** July 1, 2013.

**Explanation of State Expenditures:** *Indiana Economic Development Corporation (IEDC):* This bill gives the IEDC flexibility to designate qualifying businesses for the VCI based on its determination.

**Explanation of State Revenues:** *Summary* - This bill expands the number of potential qualifying businesses for the VCI. It allows the IEDC to certify that a business involving professional services provided by a physician is eligible for the VCI. There were an estimated 360 Indiana firms that began business operations in 2011 that may provide physician services according to data from the Quarterly Census of Employment Wages. It is indeterminable if the inclusion of the additional early-stage qualifying firms will translate into additional VCI credits. The businesses and investors still must apply to the IEDC before making the investments, and the IEDC will determine if the investments qualify for the VCI.

***Background Information*** - The Venture Capital Investment Credit was created to encourage investment in early-stage firms. The credit equals 20% of annual qualified venture capital investment made by a taxpayer up to a maximum credit of \$1 M. The IEDC certifies businesses to receive creditable venture capital investment. Total new credits awarded may not exceed \$12.5 M annually. The credit is nonrefundable, but

unused credits may be carried forward for up to 5 years. Unused credits may not be carried back. The credit may be applied to individual or corporate AGI Tax, Financial Institutions Tax, Insurance Premiums Tax, or Sales Tax liabilities.

In order to obtain the credit for investment in a qualified Indiana business, a taxpayer must have an investment plan certified by the IEDC and then provide the investment capital to the qualified Indiana business within two years. The investment must be made between 2004 and 2016. In tax year 2010, 440 filers claimed VCI for a total of \$3.38 M. While, the IEDC approved \$2.2 M credits in 2011 and \$2.1 M credits in 2012.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Indiana Economic Development Corporation.

**Local Agencies Affected:**

**Information Sources:** LSA Quarterly Census of Employment Wages Database; Bureau of Labor Statistics, *Quarterly Census of Employment and Wages - Indiana*. LSA, *Indiana Income Tax Credit Study: Venture Capital Investment Credit*, September 2012.

**Fiscal Analyst:** Heath Holloway, 232-9867.